

**HEARING
ON
EXAMINING DISTRICT OF COLUMBIA PUBLIC
SCHOOLS REFORM PROPOSALS**

**Before the
Committee On Government Reform
U.S. House of Representatives**

The Honorable Tom Davis, Chairman

**April 28, 2006, 10:00 a.m.
2154 Rayburn House Office Building**



**Testimony of
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Chief Financial Officer
District of Columbia Public Schools**

Good morning Chairman Davis and Members of the Committee. My name is John Musso and I am the Chief Financial Officer (CFO) for the District of Columbia Public Schools (DCPS). I would like to thank you and the Members of the Committee for the opportunity to appear before you today to briefly summarize DCPS's financial operations and the success of our reform efforts.

Managers in the public sector must ensure that reliable financial information is provided on a timely basis to decision makers both inside and outside the government. Internal controls are techniques used by management to achieve its objectives and to meet its responsibilities. Dr. Janey's educational reform objectives can only be achieved within the framework of a sound and comprehensive system of internal controls. I will briefly discuss here today some of the accomplishments and improvements made by the DCPS CFO over the past 24 months in areas under our purview as our part of reaching that goal. As a Chief Financial Officer (CFO), I am pleased to report that the DCPS OCFO has made substantial and tangible progress in the area of financial and accounting operations. During FY 05 not only did we receive an unqualified or "clean opinion" on our annual comprehensive financial statement (CAFR) audit, we also effectively implemented corrective actions that have eliminated all fiscal material weaknesses and reportable conditions for the first time in many years.

Over the past 24 months, the DCPS OCFO made a concerted effort to strengthen its fiscal management and accountability by enhancing internal controls and restructuring the organization.

The following are examples of the many initiatives that were undertaken:

- Internal Control Mechanisms were evaluated and improved. Internal controls are not something that occurs on a one time basis. It is essential that management monitor control-related issues on an ongoing basis. To understand the importance of monitoring, it may be useful to compare internal controls to a smoke alarm. The purpose of a smoke alarm is not to extinguish a fire itself, but to alert those who are responsible for extinguishing the fire. Similarly the CFO internal controls mechanisms are designed to alert DCPS about potential issues before they become serious issues. Internal controls must be constantly evaluated and tested in our day-to-day operations to ensure that they are still functioning properly as designed.
- DCPS OCFO achieved 98% compliance with the Quick Payment Act. This means that 98% of vendors are paid within 30 days. The 2% non-compliance is generally due to a lack of the requisite supporting documentation presented to justify payment, enforced through our internal control mechanisms.
- DCPS OCFO successfully calculated and paid more than \$22 million employee retroactive payments that date as far back as 1998.
- DCPS OCFO successfully ended FY 2005 with a balanced budget and a surplus of \$12,000, the FY 04 budget with a balanced budget of \$1.2 million, and the FY 03 with a balanced budget of \$47,000
- DCPS OCFO collected more than \$3 million in employee salary overpayments from prior years.
- Ten policies and procedures were implemented to strengthen the internal control mechanism through out the school system:

- Central Investment Fund (CIF) Policy
 - Student Activity Fund (SAF) Policy
 - Petty cash funds
 - Imprest funds
 - Invoice tracking
 - Review and approval of journal entries
 - Travel
 - Overtime approval
 - Direct vouchers
 - Accounting, data gathering and reporting
 - Inventory/asset tracking and control
- The external audit report contains only three audit findings for the entire school system, down by 75% from FY 2003 none of which were in the area of fiscal management.
- Maintained a high level of budget and fiscal transparency through the development and dissemination various budget reports and other fiscal information made available on the newly created DCPS OCFO website.

Several other accomplishments have overarching effects on the system:

- The accounts payable division specifically dedicated to Special Education payments has complied with court ordered timelines.
- DCPS OCFO has been able to identify non-public tuition pressures in advance such that the pressure could be mitigated.
- The DCPS OCFO has been able to begin capturing the true cost of non-public tuition through accurately tracking payments.

We know that systemic change or reform is not implemented overnight. While we have been able to correct the OCFO fiscal issues, the key to success will be our ability to sustain the reform efforts we have implemented. In order to do that, we are memorializing our reform efforts for those who come after us. I firmly believe that we will be able to sustain a high level of fiscal integrity by maintaining due diligence and strong internal control mechanisms. I would like to acknowledge two key members of my leadership team, Sabina Acquah, Chief of Operations and Abinet Belachew, Controller. It is through the efforts of dedicated professionals such as these that we are able to affect a positive change.

With the reform and advances made in the DCPS Office of the Chief Financial Officer and the aggressive reform efforts of Dr. Janey and his team, I am convinced that DCPS can overcome any issues and meet the needs and differences of every child every day.

Mr. Chairman, once again, thank you for the opportunity to review the successful reform efforts of the DCPS OCFO. I would be pleased to answer any questions you may have.

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